

Message Text

LIMITED OFFICIAL USE

PAGE 01 OECD P 06879 01 OF 02 181714Z

45

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 INRE-00 SSO-00 NSCE-00 AID-05

CEA-01 CIAE-00 COME-00 EB-07 EA-06 FRB-03 INR-07

IO-10 NEA-09 NSAE-00 OPIC-03 SP-02 TRSE-00 CIEP-01

LAB-04 SIL-01 OMB-01 ERDA-05 DODE-00 FEAE-00 FPC-01

H-02 INT-05 L-02 NSC-05 PM-03 SAM-01 OES-03 SS-15

STR-01 OIC-02 AF-06 ARA-06 /130 W
----- 104068

O 181659Z MAR 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 6062

LIMITED OFFICIAL USE SECTION 01 OF 02 OECD PARIS 06879

PASS TREAS FOR PARSKY AND WIDMAN, EB/IFD/OMA FOR RYAN

E.O.11652: N/A

TAGS: EFIN, OECD, EINV, ENRG

SUBJECT: PAPERS FOR IEA AD HOC GROUP ON FINANCIAL AND
INVESTMENT ISSUES (FII): PART II(B) (PAPER ON:
EFFECT ON CONSUMER COUNTRIES OF OIL PRODUCERS'
CLAIMS ON CONSUMERS' FUTURE REAL RESOURCES

REFS: (A) OECD PARIS 5996

(B) OECD PARIS 5872

(C) STATE 55605

1. THIS CABLE TRANSMITS THE FOLLOWING PAPER ENTITLED,
"EFFECT ON CONSUMER COUNTRIES OF OIL PRODUCERS' CLAIMS
ON CONSUMERS' FUTURE REAL RESOURCES," WHICH CORRESPONDS
TO ITEM II(B) OF THE TABLE CONTAINED IN DOCUMENT
IEA/SPC(75)7 SECOND REVISION, IN ACCORDANCE WITH ASSIGN-
MENT OF RESPONSIBILITIES MADE AT LAST IEA GOVERNING
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 06879 01 OF 02 181714Z

BOARD AND OF AD HOC GROUP ON FINANCIAL AND INVESTMENT

ISSUES ON MARCH 6 (REFTEL A).

BEGIN TEXT

II(B) EFFECT ON CONSUMER COUNTRIES OF OIL PRODUCERS'
CLAIMS ON CONSUMERS' FUTURE REAL RESOURCES

BACKGROUND:

1. BECAUSE OF THE PRODUCERS' LIMITED ABSORPTIVE CAPACITY (I.E., THE PRESENT INABILITY OF SOME OF THEM TO IMPORT GOODS AND SERVICES CORRESPONDING TO THE FULL AMOUNT OF THEIR EXPORT INCOME), A SUBSTANTIAL AMOUNT OF THEIR EXPORT EARNINGS TAKES THE FORM OF FINANCIAL ASSETS WHICH CAN BE CONVERTED INTO A CLAIM ON THE IMPORTING COUNTRIES' "REAL RESOURCES" (GOODS AND SERVICES AVAILABLE FOR EXPORT) AT SOME FUTURE POINT OF TIME (1).

(FOOTNOTE 1: IT CAN BE REASONABLY EXPECTED THAT A SIGNIFICANT PROPORTION OF THE CURRENT ACCOUNT SURPLUS OF THE LOW ABSORPTION COUNTRIES WILL NEVER BE CASHED IN, IN TERMS OF REAL RESOURCES, AS THESE COUNTRIES WILL HAVE SUFFICIENT INVESTMENT INCOME TO FINANCE THEIR CURRENT IMPORTS.)

2. LATEST ESTIMATES OF OPEC COUNTRIES' ABSORPTIVE CAPACITY, AND PROJECTIONS UP TO 1985 ('THE MEDIUM TERM BALANCE OF PAYMENTS IMPLICATIONS OF THE OIL SITUATION' - DES/NI(75)1 OF 17TH FEBRUARY 1975) SUGGEST THAT OPEC IMPORTS OF GOODS AND SERVICES FROM THE OECD WILL INCREASE MORE RAPIDLY THAN OECD OUTPUT IN THE FORESEEABLE FUTURE AND MIGHT REACH AT SOME STAGE AN ANNUAL LEVEL CORRESPONDING TO 1-1/2 - 2 PERCENT OF OECD GNP(2) (AROUND 1/2 PERCENT IN 1974). THESE ESTIMATES ARE HIGHLY TENTATIVE AND VERY SENSITIVE TO INFLATION RATES, OIL PRICES AND RATES OF EXPANSION IN OECD COUNTRIES. OECD COUNTRIES PROBABLY CANNOT DO MUCH TO ACCELERATE THESE TRANSFERS, BUT COULD SLOW THEM DOWN SOMEWHAT.

(FOOTNOTE 2: THE DOMESTIC POLICY IMPLICATIONS OF THIS LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OECD P 06879 01 OF 02 181714Z

TRANSFER OF REAL RESOURCES ARE ANALYSED IN POSITION
PAPER I, PARAGRAPH II(4).)

3. OECD SECRETARIAT PROJECTIONS INDICATE THAT, AFTER A RAPID RISE IN 1974 AND 1975, OPEC CLAIMS ON OECD REAL RESOURCES WILL CONTINUE TO INCREASE AT A SUSTAINED RATE, AND FROM ABOUT 1980 ONWARDS, AN INCREASING SHARE OF OPEC IMPORTS MAY BE FINANCED BY THE RUNNING-DOWN OF PAST

FINANCIAL CLAIMS AND INVESTMENT INCOME. OPEC CLAIMS ON REAL RESOURCES COULD THUS EXERT EXCESSIVE PRESSURE ON OECD CAPACITY, AT LEAST IN SOME SECTORS, IN THE SHORT-TERM, UNLESS THE OECD COUNTRIES COULD SLOW DOWN THE TRANSFER OF REAL RESOURCES IN LINE WITH CYCLICAL DEVELOPMENT.

4. THE DIRECT ABSORPTIVE CAPACITY OF OPEC COULD INCREASE ABOVE THE PROJECTED LEVELS IF THERE WERE A SHIFT IN OIL PRODUCTION FROM LOW TO HIGH ABSORBERS, AND CLAIMS ON

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 OECD P 06879 02 OF 02 181712Z

45

ACTION EUR-12

INFO OCT-01 ISO-00 EURE-00 INRE-00 SSO-00 NSCE-00 AID-05

CEA-01 CIAE-00 COME-00 EB-07 EA-06 FRB-03 INR-07

IO-10 NEA-09 NSAE-00 OPIC-03 SP-02 TRSE-00 CIEP-01

LAB-04 SIL-01 OMB-01 ERDA-05 DODE-00 FEAE-00 FPC-01

H-02 INT-05 L-02 NSC-05 PM-03 SAM-01 OES-03 SS-15

STR-01 OIC-02 AF-06 ARA-06 /130 W

----- 104074

O 181659Z MAR 75

FM USMISSION OECD PARIS

TO SECSTATE WASH DC IMMEDIATE 6063

LIMITED OFFICIAL USE SECTION 02 OF 02 OECD PARIS 06879

REAL RESOURCES ASSOCIATED WITH THE OIL PRICE INCREASE COULD INCREASE QUITE SUBSTANTIALY WITH RISING OPEC CAPITAL TRANSFERS TO NON-OIL DEVELOPING COUNTRIES, SINCE THE LATTER WOULD USE MUCH OF THE PROCEEDS TO INCREASE THEIR IMPORTS FROM OECD COUNTRIES. (SEE DES/NI(75)1

PARAGRAPH 22, SUGGESTING FOR 1980 AN "INDIRECT ABSORPTIVE CAPACITY" (I.E., OF NON-OIL DEVELOPING COUNTRIES), OF PERHAPS 1/4 PERCENT OF OECD GNP.)

ARGUMENT:

1. COUNTRIES MAY BE ABLE TO CHOOSE BETWEEN TRANSFERRING REAL RESOURCES OR SURRENDERING OWNERSHIP OF REAL CAPITAL ASSETS IN THEIR OWN ECONOMY. THERE IS ALSO A POSSIBILITY OF RETARDING THE TRANSFER OF REAL RESOURCES BY INCREASING LONG TERM FINANCIAL INDEBTEDNESS. (AS TO OFFERING OPEC COUNTRIES SAFE FINANCIAL INVESTMENT OUTLETS, SEE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OECD P 06879 02 OF 02 181712Z

POSITION PAPER (II(E))).

2. OECD COUNTRIES WOULD PROBABLY TEND TO FAVOUR A MORE RAPID TRANSFER OF REAL RESOURCES WHEN THE OVERALL LEVEL OF CAPACITY UTILISATION IS LOW AND A LESS RAPID TRANSFER WHEN THE PRESSURE ON CAPACITY IS MOUNTING. THUS, THE EXTREMELY SHARP INCREASE IN THE VOLUME OF EXPORTS OF GOODS AND SERVICES TO OPEC COUNTRIES IN 1974 TOOK PLACE WITHOUT PROVOKING SERIOUS TENSIONS, PARTICULARLY TOWARDS THE END OF THE YEAR, BECAUSE OF THE INCREASING OVERALL SLACK IN THE OECD ECONOMIES, AND IN FACT THE INCREASE IN THE EXPORT SURPLUS IN REAL TERMS HAD SOME STABILISING DOMESTIC EFFECT ON OECD ECONOMIES. AS DEMAND IN OECD COUNTRIES RECOVERS, SOME STRETCHING OUT OF OPEC DEMAND FOR REAL RESOURCES COULD PLAY A STABILISING ROLE IN THE REVERSE DIRECTION.

3. THE PROBABLE HEAVY CONCENTRATION OF OPEC CLAIMS ON A FEW INDUSTRIES ALREADY HEAVILY EMPLOYED TO SATISFY DOMESTIC INVESTMENT PROGRAMMES (PARTICULARLY IN ENERGY) COULD INTRODUCE SERIOUS STRAINS IN OECD ECONOMIES EVEN WITHOUT AN EXCESSIVE LEVEL OF OVERALL CAPACITY UTILISATION (E.G., COMPETITION BETWEEN FOREIGN AND DOMESTIC INVESTORS FOR NUCLEAR ENERGY PLANTS.)

4. OECD COUNTRIES COULD, INDEED, INCREASE INDIRECT ABSORPTIVE CAPACITY BY PROMOTING "TRIANGULAR" DEVELOPMENT PROJECTS IN NON-OIL DEVELOPING COUNTRIES.

END TEXT

TURNER

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FINANCE, PETROLEUM, COMMITTEE MEETINGS, INVESTMENTS, EXPORTERS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 MAR 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MorefiRH
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975OECDP06879
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750094-0384
From: OECD PARIS
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750340/aaaabkdg.tel
Line Count: 218
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 OECD PARIS 5996
Review Action: RELEASED, APPROVED
Review Authority: MorefiRH
Review Comment: n/a
Review Content Flags:
Review Date: 14 MAY 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <14 MAY 2003 by ElyME>; APPROVED <15 MAY 2003 by MorefiRH>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: PAPERS FOR IEA AD HOC GROUP ON FINANCIAL AND INVESTMENT ISSUES (FII): PART II(B) (PAPER ON
TAGS: EFIN, EINV, ENRG, OECD
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006